

UNICE

THE VOICE OF BUSINESS IN EUROPE

Mr Mogens Peter Carl
Director General, DG Trade
European Commission
Rue de Genève, 1
1049 Bruxelles

18 June 2004

THE SECRETARY GENERAL

Dear Mr Carl,

I am writing to you to express UNICE's strong concerns about developments in the Doha Development Agenda Non-Agricultural Market Access (NAMA) negotiations. UNICE understands that whilst there has been movement in the agricultural negotiations, there has been little progress in the NAMA negotiations so far. UNICE is worried about the lack of ambition in some of the ideas proposed in Geneva, particularly in view of the flexibility shown by the EU in other areas of the negotiations which have reduced the EU's initial ambitious and comprehensive objectives for the DDA.

For European industry, NAMA negotiations, together with services and trade facilitation, are a priority, which should have a central place in the round. UNICE has from the beginning stressed the need for ambitious objectives in the NAMA negotiations and has advocated its position to governments and other business associations worldwide. Concretely UNICE aims for:

- a single comprehensive tariff reduction formula that would apply to all products and all sectors across-the-board without a priori exceptions, resulting in a maximum bound tariff level of 15% at the end of the staging period;
- binding of unbound tariffs at commercially acceptable levels;
- improved geographical coverage of zero duty sectoral agreements and sectoral tariff harmonization agreements and expansion of their product coverage where an international consensus can be achieved.

Business understands that the DDA is a development round and recognizes the needs of the least developed countries. UNICE would like to point out, however, that tariff and non-tariff barriers to trade are key obstacles to the economic development of developing countries. Reduction of their high tariff levels is not only in the interest of the industrialized countries, but also beneficial for the developing countries themselves. Tariff and non-tariff barriers between neighbouring developing countries are often much greater than between those countries and the EU. Whilst UNICE can accept flexibility as regards the phasing of commitments, the end goal should be ambitious. UNICE also considers that in many cases the distinction between industrialized and developing countries is inappropriate when considering the worldwide competitiveness of companies.

UNICE welcomed the ambitious approach developed in the joint Canada-EU-US paper issued in August 2003, which foresaw the use of a simple, ambitious, harmonizing formula with a single coefficient, provided for sectoral agreements and allowed longer staging periods for newly acceded members.

In contrast to the joint Canada-EU-US paper, the Derbez text (Rev. 2) that was on the table in Cancun lacked ambition and in UNICE's view needed improvement on various points, as expressed in and after Cancun, in order to be acceptable for European industry and not be detrimental to European business interests and competitiveness. According to our information, the current level of ambition in Geneva is even lower than the Derbez text. With concern, we have learned of the possible use of two coefficients for an eventual tariff reduction formula, one for industrialized countries and one for developing countries. Such a differentiated approach could undermine the competitiveness of some European industries, considering that even in the case of a single coefficient further tariff alignment would be necessary between industrialized and developing countries. Moreover, we are not certain that such an approach would lower tariffs sufficiently to achieve our ambition of a maximum 15% bound tariff level.

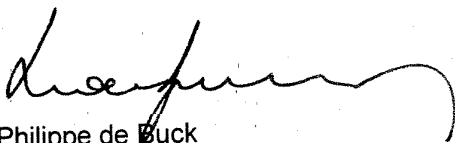
In the area of sectoral agreements, UNICE has learned that the emerging countries oppose participation in zero-for-zero agreements, and are proposing "zero-for-X" negotiations instead. UNICE has concerns regarding a "zero-for-X" proposal applied to all sectors as this would create a serious competitive disadvantage for some sectors. The objective of sectoral agreements is to go further in the reduction and harmonisation process and it should be left to the sectors concerned to establish their level of ambition. The latter should not be predetermined.

UNICE has equally stressed the need for high ambitions in the area of non-tariff barriers to trade and remains disappointed with the low level of ambition in the negotiations. In order to achieve a more systemic approach to non-tariff barriers within the WTO, input from the EU and other major negotiators is needed, e.g. more efficiency in removing barriers in the TBT area. This, together with an ambitious trade facilitation agreement with provisions for faster and simpler customs procedures would stimulate trade flows significantly. Unfortunately, on this front news from Geneva is not very positive.

UNICE urges the Commission to keep working for ambition and balance in the NAMA negotiations and to strive for significant improvements to the Derbez text. A low level of ambition in this area and the other aspects of the DDA negotiations, which will set the rules for the liberalisation process for the coming years, would certainly raise doubts about the pertinence of the multilateral approach.

UNICE looks forward to pursuing the dialogue with the EU negotiators to strive for ambitious and balanced agreements in all areas of the negotiations.

Yours sincerely,



Philippe de Buck

(cc M. Petriccione, S. Gallina)